

House Passes Bill Taxing Carried Interest Income as Ordinary Income

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Late yesterday afternoon, the U.S. House of Representatives passed legislation that would tax carried interest income (sometimes called “performance allocations” or “incentive allocations”) at ordinary-income rates beginning in 2010. The legislation (H.R. 4213, the “Tax Extenders Act of 2009”) also provides that carried interest income will be subject to self-employment taxes, regardless of certain exceptions previously available.

We will monitor the bill's progress in the Senate and Conference Committee and provide more detail as the bill moves closer to enactment.